

# 2011-2012 PERFORMANCE PLAN – Sr. Portfolio Manager, Investment Compliance and Operational Risk (C. Moody)

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*All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Chief Executive Officer, Chief Actuary, General Counsel and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.*

## Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
20%	Total Fund Performance	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC}  *Cost-adjusted Benchmark	-13 basis points = 0 +13 basis points = 1.0 +27 basis points = 1.5
10%	Investment Office Compliance	By June 30, 2012, Investment Office Compliance Training is fully developed and substantially all of INVO Staff have completed newly developed Compliance Training	Less than 95% INVO Staff Completion = 0  95 – 99% INVO Staff Completion = 1.0  100% INVO Staff Completion = 1.5
30%	Subtotal	Quantitative Measures	

## Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
25%	Investment Office Compliance Risk Priorities	By June 30, 2012, in an effort to standardize compliance processes and provide resources to ensure staff are in full compliance: <ul style="list-style-type: none"> <li>Establish an inventory of laws, rules, policies that the Investment Office must adhere to</li> <li>Create a comprehensive required compliance training program for all INVO Staff</li> <li>Define an end to end process for monitoring compliance with investment policy (including compliance related functionality in trading systems)</li> </ul>	From Schedule

### Incentive Schedule

Total Fund: FY 2012-13: target 0/20/30

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## Qualitative Performance Measures, Cont.

Weight	Factor	Performance Measure	Incentive Schedule
15%	Investment Office Operational Risk Priorities	By June 30, 2012, develop a framework and drive the implementation of an INVO Risk Assessment and Prioritization Report: <ul style="list-style-type: none"> <li>Integrate the operating event measurement process into the Program</li> <li>Develop monitoring, testing, metrics, key risk indicators and controls for all key risks, including investment policy compliance</li> </ul>	From Schedule
5%	Investment Office Compliance Priorities	By December 31, 2011, complete a functional review of ECOM activities in comparison to INVO Compliance activities and then agree to roles and responsibilities of ECOM and INVO Compliance.	From schedule
5%	Investment Office Conflict of Interest Compliance Priorities	By January 31, 2012, complete rationalization of conflict of interest policies, including all related policies (e.g. placement agent compliance, Form 700) and develop an end to end process to ensure compliance with all such policies and to reduce the risk to CalPERS.	From Schedule
5%	Investment Office Public Communication Risk Assessment	By March 31, 2012, complete a review of all INVO communications with the public, including communications related to 457 Plans, and determine risks related to such communication and design process to reduce the risks.	From Schedule
5%	Compliance Policies and Procedures	By June 30, 2012, refine: <ul style="list-style-type: none"> <li>INVO Travel Policy and Procedures and Institutionalize pre-clearance compliance level of travel; and</li> <li>CalPERS gift policy procedures to ensure they reflect all interpretive guidance, including written confirmation from FPPC of “under-contract” exemption.</li> </ul>	From Schedule

### Incentive Schedule

Total Fund: FY 2012-13: target 0/20/30

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## Qualitative Performance Measures, Cont.

Weight	Factor	Performance Measure	Incentive Schedule
10%	Investment Office Leadership and Management	<p><b><u>Enterprise-wide Leadership and Management</u></b>  By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> <li>• Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12.</li> <li>• Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012.</li> <li>• Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012.</li> <li>• Maintain a 90% EPAD completion rate.</li> <li>• Address and resolve all outstanding audit findings within 12 months of audit report.</li> <li>• Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12.</li> <li>• Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews.</li> <li>• Complete the Executive D&amp;I Development Journey course, including completion of all pre- and post-session work assignments.</li> <li>• Conduct at least two direct report team sessions on diversity and inclusion awareness.</li> <li>• Effectively manage all Operational resources within prescribed budget limits.</li> <li>• Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter.</li> </ul> <p><b><u>Investment Office Leadership and Management</u></b>  By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> <li>• Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity.</li> <li>• Participating in training, communication, and recognition activities and events.</li> </ul> <p><b><u>Team Participation – Cross Asset Class Collaboration</u></b>  By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>	From schedule
70%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Incentive Schedule

Total Fund: FY 2012-13: target 0/20/30